

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7108

BILL NUMBER: SB 327

NOTE PREPARED: Feb 4, 2004

BILL AMENDED: Feb 2, 2004

SUBJECT: Microenterprise Partnership Program.

FIRST AUTHOR: Sen. Simpson

BILL STATUS: As Passed Senate

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

STATE IMPACT	FY 2004	FY 2005	FY 2006
State Revenues			
State Expenditures		250,000	
Net Increase (Decrease)		(250,000)	

Summary of Legislation: The bill requires the Department of Commerce to establish a Microenterprise Partnership Program to provide grants to community-based or nonprofit organizations for the purpose of providing business development services and loans to businesses with fewer than five employees.

Effective Date: July 1, 2004.

Explanation of State Expenditures: (Revised) The bill requires the Indiana Department of Commerce (IDOC) to establish the Microenterprise Partnership Program beginning in FY 2005. (Presumably, the Program would be transferred to the Indiana Economic Development Corporation on July 1, 2005.) Under the Program, the IDOC would make grants of up to \$25,000 to community-based or nonprofit organizations that provide loans and certain services to "microenterprises." The bill defines a microenterprise as a business that has fewer than 5 employees. The bill appropriates \$250,000 from the state General Fund to the Microenterprise Partnership Program Fund for the grant program during FY 2005. The money in the Fund would revert to the state General Fund at the end of FY 2005. It is estimated that the IDOC could potentially require an EMS VII staff member to manage the Microenterprise Development Program. The total cost for the staff member, including salary, fringe benefits, and indirect costs, is estimated to be \$54,750 in

FY 2005. This estimate is based on past staffing of the Neighborhood Assistance Program and Community Development Action Grant Program by the Indiana Department of Commerce.

Background: The Microenterprise Partnership Program is required to provide grants to “microloan delivery organizations - community-based or nonprofit programs that: (1) have developed a viable plan for providing training, access to financing, and technical assistance to microenterprises; and (2) that meet other criteria and qualifications specified in the bill for grant recipients. Under the bill, grants may be used by microloan delivery organizations to: (1) to satisfy matching requirements for federal or private grants; (2) to establish a revolving loan fund to make loans to microenterprises; (3) to establish a guaranty fund to guarantee loans made by a commercial lender to a microenterprise; and (4) to pay operating costs associated with administering a loan, loan guaranty, or revolving loan program, or providing business training and technical assistance to loan recipients. However, the bill prohibits more than 10% of a grant from being used for operating costs. In addition, the bill requires at least 50% of the loan money disbursed by the microloan delivery organization to be in loans not exceeding \$10,000.

The bill establishes the Microenterprise Partnership Program Fund to be administered by the IDOC. The Fund is established to provide money for the IDOC to use in carrying out the duties of the Program. A noncode provision of the bill appropriates \$250,000 in FY 2005 to the Fund from the state General Fund. Under the bill, the money in the Fund would revert to the state General Fund at the end of FY 2005.

The bill requires money appropriated to the Program to be matched by an equal amount of money not appropriated by the General Assembly. The bill requires the Treasurer of State to invest the unobligated money in the Fund.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Department of Commerce, Indiana Economic Development Corporation, Treasurer of State; State Board of Accounts.

Local Agencies Affected:

Information Sources:

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